

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

ACTION REFERRAL

SHO - #06-004

TO	DATE
Singlebo	9-6-06

<b>DIRECTOR'S USE ONLY</b>		<b>ACTION REQUESTED</b>	
1. LOG NUMBER	000228	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____	
2. DATE SIGNED BY DIRECTOR	CC: Mr. Kern, Ries, Wells file	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____	
		<input type="checkbox"/> FOIA DATE DUE _____	
		<input checked="" type="checkbox"/> Necessary Action	

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			



AUG 30 2006

SHO #06-004

Dear State Health Official:

CMS developed the Payment Error Rate Measurement (PERM) program to comply with the Improper Payments Information Act of 2002, under which the Office of Management and Budget requires us to estimate improper payments in Medicaid and the State Children's Health Insurance Program (SCHIP).<sup>1</sup> We began implementation of the PERM program last year to measure a component of the Medicaid program in seventeen States. This year, CMS will use PERM to measure improper payments in SCHIP and has selected the States for review in Fiscal Year (FY) 2007 and beyond.

As part of our national implementation strategy, we have selected States for the improper payment measurement in Medicaid by using a sampling methodology that ensures a State is selected for measurement once and only once every three years. In selecting the States for the improper payment measurement in SCHIP, we determined that we can measure the same States that are measured for Medicaid each year and produce a SCHIP error rate that will meet IPJA requirements. As with Medicaid, we will measure each State's SCHIP program once and only once every three years. We believe that reviewing a State's Medicaid and SCHIP programs in the same year will reduce administrative complexities, costs and burdens since some States may be able to combine staff and resources for both reviews. The SCHIP State selection for fiscal years (FY) 2007-2009 (which will rotate thereafter) is as follows:

**States Selected for SCHIP Improper Payment Measurements**

<b>FY 2007</b>	North Carolina, Georgia, California, Massachusetts, New Jersey, Tennessee, West Virginia, Kentucky, Maryland, Alabama, South Carolina, Colorado, Utah, Vermont, Nebraska, New Hampshire, Rhode Island
<b>FY 2008</b>	New York, Florida, Texas, Louisiana, Indiana, Mississippi, Iowa, Maine, Oregon, Arizona, Washington, District of Columbia, Alaska, Hawaii, Montana, South Dakota, Nevada
<b>FY 2009</b>	Pennsylvania, Ohio, Illinois, Michigan, Missouri, Minnesota, Arkansas, New Mexico, Connecticut, Virginia, Wisconsin, Oklahoma, North Dakota, Wyoming, Kansas, Idaho, Delaware

The PERM measurement for both Medicaid and SCHIP beginning in FY 2007 will review the fee-for-service (FFS), managed care, and eligibility components of the program. CMS has engaged Federal contractors to measure improper payments in the FFS and managed care components of Medicaid and SCHIP. In the year a State is reviewed under PERM, the State itself will conduct the measurement for the eligibility components of Medicaid and SCHIP. The

<sup>1</sup> To obtain more information on the PERM program, we invite you to visit our website at <http://www.cms.hhs.gov/MedicaidPERM>.

**RECEIVED**

SEP 05 2006

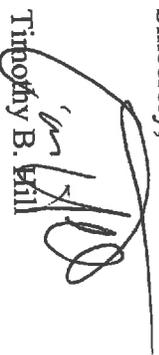
Department of Health & Human Services  
OFFICE OF THE DIRECTOR

*Ros. Swagston*  
*cc: Kern*  
*Mc. O'Brien*  
*11/2/06*

States selected for review in FY 2007 will receive more detailed information regarding State responsibilities under PERM, including instructions for conducting the eligibility reviews and an invitation to participate in a “kick-off” teleconference.

We appreciate the cooperation States have afforded us in measuring improper payments in FY 2006 and we look forward to our continued partnership in the forthcoming years as we work to ensure the integrity of the Medicaid and SCHIP programs.

Sincerely,



Timothy B. Hill  
Director

Office of Financial Management



Dennis G. Smith  
Director  
Center for Medicaid and State Operations

cc:

CMS Regional Administrators

CMS Associate Regional Administrators  
for Medicaid and State Operations

Martha Roherty  
Director, Health Policy Unit  
American Public Human Services Association

Joy Wilson  
Director, Health Committee  
National Conference of State Legislatures

Matt Salo  
Director of Health Legislation  
National Governors Association

Jacalyn Bryan Carden  
Director of Policy and Programs  
Association of State and Territorial Health Officials

Christie Raniszewski Herrera  
Director, Health and Human Services Task Force  
American Legislative Exchange Council

Lynne Flynn  
Director for Health Policy  
Council of State Governments